

**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
Whether there has been a violation  
of the Securities Act of Washington by:

Sun Services, Inc.; John T. Jones; John W.  
Wachsmith;

Respondents

S-01-085-03-CO02

CONSENT ORDER AND ORDER VACATING  
SDO-05-02 AS TO SUN SERVICES, INC. AND  
JOHN T. JONES

Case No. S-01-085

On February 27, 2002, the Securities Division, Department of Financial Institutions, State of Washington (the "Securities Division"), issued SUMMARY ORDER TO CEASE AND DESIST AND NOTICE OF INTENT TO ORDER FINES AND AFFIRMATIVE RELIEF SDO-05-02 (hereinafter referred to as the "Summary Order") against Respondents Sun Services, Inc., John T. Jones, and John W. Wachsmith. On October 10, 2002, a civil judgment was entered in Pierce County Superior Court whereby John T. Jones and Sun Services, Inc. agreed to pay the investors referenced in the Summary Order \$75,000, plus pre judgment interest of \$18,000, and post judgment interest at a rate of twelve percent (12%) per annum. Respondents Sun Services, Inc. and John T. Jones do hereby agree to this Consent Order in settlement of the above captioned matter. As a basis for the Summary Order, the Securities Administrator made "Tentative Findings of Fact" and "Conclusions of Law" that are incorporated as final and repeated below:

**FINDINGS OF FACT**

I.

Sun Services, Inc. is a Nevada corporation with its principal place of business at 1110 Via Alta Mira, Palm Springs, CA 92262.

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DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

1 II.

2 John T. Jones controls Sun Services, Inc. Together with his wife, he owns 80% of the stock of Sun  
3 Services, Inc. Jones uses Sun Services, Inc. as a holding company for his various business ventures. Sun  
4 Services, Inc. owns a gypsum mine in Southern California. It also represents itself on its letterhead as “a  
5 creative financing company.”

6 III.

7 John W. Wachsmith has been the subject of prior administrative actions by Department of  
8 Financial Institutions for violations of the Securities Act of Washington. On December 16, 1999, the  
9 Department of Financial Institutions issued Summary order to Cease and Desist, SDO-66-99, against  
10 Wachsmith in connection with his offers or sales of shell corporations. Among the allegations was that  
11 Wachsmith had, on at least two occasions, collected partial payment for shares representing a majority  
12 ownership interest in a shell corporation but failed to either deliver the shares or to refund the money  
13 paid. SDO-66-99 ordered Wachsmith to cease and desist from violation of the anti-fraud provisions of  
14 the Securities Act of Washington, and from violations of the provisions requiring that offerings and  
15 broker-dealers and their representatives be registered in the state of Washington. SDO-66-99 was served  
16 on Wachsmith on December 29, 1999. Wachsmith had a right, within twenty days of his receipt of the  
17 order, to request a hearing on SDO-66-99. Wachsmith chose not to request a hearing on SDO-66-99. A  
18 final order to cease and desist, SDS-11-00, was then issued on January 31, 2000 and was served on  
19 Wachsmith on February 18, 2000. SDS-11-00 adopted as final the findings of fact and conclusions of  
20 law as well as the order of SDS-66-99.  
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23 IV.

1 On December 30, 1999, Wachsmith met at a tavern in Fife with representatives of a Pierce County  
2 business about taking that business public and raising money for its operating capital. The Pierce County  
3 group had been referred to Wachsmith by Wachsmith's brother-in-law who said that Wachsmith was in  
4 the business of helping companies get financing. Wachsmith said that he could arrange for a private  
5 placement to get the company up and running. Wachsmith claimed to have put together 40 or 50 initial  
6 public offerings, including the initial public offering for Starbucks. Wachsmith also said that there were  
7 several ways to take a company public. He said that taking over a shell corporation was one way. He  
8 said that this method cut down substantially on the time it takes to go public. Wachsmith said that he  
9 knew of someone who had a shell corporation that might be willing to sell it for about \$100,000.  
10 Wachsmith did not reveal that he had been ordered to cease and desist from acting as an unregistered  
11 broker-dealer by SDO-66-99 in connection with his earlier involvement in sales controlling interests in  
12 shell corporations and in providing advice for a fee to companies seeking to raise funds or to go public.  
13 He did not reveal that he had, on more than one occasion, collected funds representing a portion of the  
14 purchase price of a controlling interest in the shares of a shell corporation and failed to deliver the shares  
15 or to refund the purchasers' moneys. He did not reveal that he has had three felony convictions, two of  
16 which were for theft.  
17

18 In early January 2000, Wachsmith told the potential purchasers that the shell corporation he had  
19 mentioned was available. The price was \$115,000. Wachsmith said that the shell corporation was  
20 currently available, but another buyer was interested in it, so it would be necessary to act fast.  
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22 In late January 2000, Wachsmith met again with the potential purchasers. John Jones of Sun  
23 Services, Inc. participated in the meeting by telephone. The Pierce County group agreed to pay Sun  
24 Services, Inc. \$115,000 for 95% of the shares of Sierra Pacific Gypsum, Inc. (SPGY), a Nevada

1 corporation. The 95% amounted to 18 million shares. On the day after the meeting, the Pierce County  
2 group deposited an official check for \$115,000 to the Sun Services, Inc. bank account. The following  
3 day, Wachsmith negotiated a check for \$15,000 from Jones. The check represented a finder's fee to  
4 Wachsmith for the sale of the shares in Sierra Pacific Gypsum, Inc

5 On February 2, 2000, Wachsmith and Jones met with the Pierce County group in Fife. At this  
6 meeting, Jones and Wachsmith represented that, after they had transferred the shares to the Pierce County  
7 group, Jones could arrange the sale of 2 million shares of Sierra Pacific Gypsum, Inc. to Asian investors  
8 at \$1 per share. The 2 million shares would be from the 17 million shares the Pierce County group would  
9 receive. Jones and Wachsmith would keep 1 million shares, out of the 18 million that were part of the  
10 original sales agreement, between then as compensation for arranging the deal. Jones and Wachsmith  
11 also suggested issuing another 82 million shares of stock in order to raise additional funds. Jones offered  
12 to help the Pierce County group to find an accountant and a transfer agent to assist.  
13

14 Although Jones had promised to have the shares transferred to the Pierce County group upon  
15 payment, he never transferred the shares to the Pierce County Group. The Pierce County group made  
16 many inquiries about when the transfer was going to occur. In late April 2000, Wachsmith offered on  
17 behalf of Sun Services, Inc. to rescind the agreement. In May 2000, the Pierce County group agreed to  
18 this and accepted an initial payment of \$25,000, on the understanding that that Jones and Wachsmith  
19 would sell the shares in Sierra Pacific Gypsum, Inc. to another buyer and would use the proceeds to  
20 repay the Pierce County group. The Pierce County group was also supposed to receive shares in the new  
21 company that bought the shares of the shell corporation. Jones sold the shares in Sierra Pacific Gypsum,  
22 Inc. originally sold to the Pierce County group, to the owners of CoMedia. Jones released the shares of  
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1 Sierra Pacific Gypsum, Inc. to the owners of CoMedia without requiring payment in advance for those  
2 shares. Jones arranged the sale to CoMedia with Frank Olsen, a longtime business associate of Jones.

3 The Pierce County group received another \$10,000 from Jones. Then Wachsmith delivered a  
4 certificate for 200,000 shares of a company called CoMedia that trades in the over the counter market.  
5 Wachsmith advised the Pierce County group not to sell the shares because the shares would soon be  
6 much more valuable because CoMedia was awaiting approval to distribute its gay oriented programming  
7 over Dishnet. In fact, the shares lost substantially all of their value.

8 Jones has been involved in other sales of shares representing the majority ownership interest in  
9 shell corporations. Two months before his transaction with the Pierce County group, Jones sold the  
10 shares of another shell company to a California couple for \$125,000. Before the transaction with the  
11 Pierce County group, Jones entered into an agreement with his son, Jeff Jones, and a group of investors  
12 to sell shares representing a majority of the ownership interest in the corporation that was later renamed  
13 Sierra Pacific Gypsum, Inc. The group intended to use the company to conduct a gypsum mining  
14 business in Mesquite, Arizona. John T. Jones received at least \$50,000 down payment on the sale. The  
15 name of the corporation was changed to Sierra Pacific Gypsum, Inc. to reflect the nature of the business,  
16 but the sale was never consummated so John Jones never transferred the shares.

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18 V.

19 Neither John T. Jones nor John W. Wachsmith is currently registered as a securities salesperson or  
20 broker-dealer in the state of Washington and neither has previously been so registered.

21 Based upon the above Findings of Fact, the following Conclusions of Law are made:  
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1 **CONCLUSIONS OF LAW**

2 I.

3 The offer and/or sale of shares of stock described above constitutes the offer and/or sale of a  
4 security as defined in RCW 21.20.005(10) and (12), to wit: stock.

5 II.

6 John T. Jones and John W. Wachsmith have each violated RCW 21.20.040 by offering and/or  
7 selling said securities while not registered as a securities salesperson or broker-dealer in the state of  
8 Washington.

9 III.

10 The offer and/or sale of said securities was made in violation of RCW 21.20.010(2), the antifraud  
11 section of the Securities Act of Washington, the statements made by John Wachsmith concerning his  
12 experience in arranging for companies to go public were misleading because Wachsmith omitted to tell  
13 the purchasers that Wachsmith was currently under order to cease and desist from acting as an  
14 unregistered broker-dealer and from violation of the antifraud provisions of the Securities Act of  
15 Washington, and that among the reasons for the order was that Wachsmith had accepted purchase money  
16 for shares in shell corporations and had then failed to deliver shares or refund the purchase money, and  
17 that Wachsmith was a convicted felon. Further, it was a violation of RCW 21.20.010(1) and (2) for John  
18 T. Jones, acting on behalf of Sun Services, Inc., in connection with the agreement to rescind the sale of  
19 the shares in Sierra Pacific Gypsum, Inc. to the Pierce County group, to represent that he would resell the  
20 shares and use the proceeds of the resale to repay the Pierce County group when he transferred the shares  
21 to others without securing payment for those shares for the benefit of the Pierce County group. Jones's  
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actions worked a fraud on the Pierce County group and constituted a device or artifice to defraud the Pierce County group.

### CONSENT ORDER

Based on the foregoing,

IT IS AGREED AND ORDERED that Sun Services, Inc. and John T. Jones shall each cease and desist from offering and selling securities in any manner in violation of RCW 21.20.010, the anti-fraud provisions of the Securities Act of Washington.

IT IS FURTHER AGREED AND ORDERED that Sun Services, Inc. and John T. Jones shall each cease and desist from offering and selling securities in any manner in violation of RCW 21.20.140, the securities registration section of the Securities Act of Washington.

IT IS FURTHER AGREED AND ORDERED that John T. Jones shall cease and desist from offering and/or selling securities in violation of RCW 21.20.040, the securities salesperson registration section of the Securities Act of Washington.

IT IS FURTHER AGREED AND ORDERED that John T. Jones shall not make application for nor be granted a broker-dealer, investment adviser, securities salesperson, or investment adviser representative license for a period of ten (10) years from the date of entry of this Order by the Securities Administrator.

IT IS FURTHER AGREED AND ORDERED that, based upon a violation of RCW 21.20.010, the availability of the exemptions from registration contained in RCW 21.20.320(1), (9), (11), and (17), are hereby revoked as to Sun Services, Inc. and John T. Jones as of the date of entry of this Order by the Securities Administrator.

1 IT IS FURTHER AGREED AND ORDERED that Sun Services, Inc. and John T. Jones, their  
2 agents, and employees, affiliates, and successors, shall each disclose the existence of this Order in any  
3 prospectus or offering circular to be used in conjunction with the offer and sale of any security in the  
4 state of Washington.

5 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Order.

6 In consideration of the foregoing, Respondents Sun Services, Inc. and John T. Jones waive their  
7 right to a hearing in this matter and to judicial review of this matter pursuant to RCW 21.20.440 and  
8 Chapter 34.05 RCW, and the Securities Division hereby vacates Summary Order SDO-05-02 as to Sun  
9 Services, Inc. and John T. Jones except to the extent that the Tentative Findings of Fact and Conclusions of  
10 Law in that order have been incorporated and made final herein.  
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12 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

13 SIGNED this \_\_\_\_\_ day of \_\_\_\_\_, 2003.

14 SUN SERVICES, INC.

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17 \_\_\_\_\_  
John T. Jones, President

18  
19 \_\_\_\_\_  
20 Respondent John T. Jones, individually

21 -----  
22 **THIS ORDER ENTERED THIS 16TH DAY OF JANUARY 2003 BY:**

23 

24 DEBORAH R. BORTNER

25 CONSENT ORDER AND ORDER VACATING  
26 SDO-05-02 AS TO SUN SERVICES, INC. AND  
JOHN T. JONES

Securities Administrator  
Approved by:

Presented by:

\_\_\_\_\_  
Michael E. Stevenson  
Chief of Enforcement

\_\_\_\_\_  
Chad Standifer  
Staff Attorney